



DELONG HOLDINGS LIMITED

(REG. NO. 199705215G)

UNAUDITED THIRD QUARTER RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Statement Pursuant to SGX Listing Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors, which may render the unaudited interim consolidated financial results of Delong Holdings Limited for the third quarter ended 30 September 2017 to be false or misleading in any material respect.

On behalf of the Board of Directors

Mr. Ding Liguo
Chairman

Mr. Wu Yujie
Executive Director

Singapore
3 November 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF – YEAR AND FULL RESULTS

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Note	The Group					Increase (Decrease) %
		3 rd Quarter Ended		Increase (Decrease) %	9 Months Ended		
		30/09/2017 RMB'000	30/09/2016 RMB'000		30/09/2017 RMB'000	30/09/2016 RMB'000	
Sales		3,667,029	2,534,172	44.7	9,852,777	7,163,867	37.5
Cost of sales		(2,788,099)	(2,153,923)	29.4	(7,870,396)	(6,168,066)	27.6
Gross profit		878,930	380,249	131.1	1,982,381	995,801	99.1
Other Income	1	33,002	12,217	170.1	85,146	61,080	39.4
Other gains-net	2	349,025	12,567	n.m	340,002	22,696	n.m
Expenses							
-Distribution and marketing		(20,665)	(21,576)	(4.2)	(81,009)	(57,147)	41.8
-Administrative		(95,742)	(68,541)	39.7	(234,362)	(219,790)	6.6
-Finance		(29,405)	(44,471)	(33.9)	(85,712)	(149,630)	(42.7)
Share of loss of an associate		(121)	(97)	24.7	(400)	(250)	60.0
Profit before tax	3	1,115,024	270,348	312.4	2,006,046	652,760	207.3
Income tax expense	4	(141,090)	(39,026)	261.5	(263,476)	(41,574)	533.8
Net profit		973,934	231,322	321.0	1,742,570	611,186	185.1
Profit attributable to:							
Equity holders of the Company		973,934	229,290	324.8	1,742,570	609,800	185.8
Non-controlling interest		-	2,032	(100.0)	-	1,386	(100.0)
		973,934	231,322	321.0	1,742,570	611,186	185.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Net profit	973,934	231,322	321.0	1,742,570	611,186	185.1
Other comprehensive income:						
Available-for-sale financial assets-fair value (loss)/gain/	(5,050)	12,544	(140.3)	(18,879)	21,660	(187.2)
Revaluation of property	77,837	-	100.0	77,837	-	100.0
Currency translation differences	(2,100)	3,873	(154.2)	(9,503)	537	n.m
Other comprehensive income for the period, net of tax	70,687	16,417	330.6	49,455	22,197	122.8
Total comprehensive income	1,044,621	247,739	321.7	1,792,025	633,383	182.9
Total comprehensive income attributable to:						
Equity holders of the Company	1,044,621	245,707	325.1	1,792,025	631,997	183.5
Non-controlling interest	-	2,032	(100.0)	-	1,386	(100.0)
	1,044,621	247,739	321.7	1,792,025	633,383	182.9

nm-not meaningful

Notes:-

1 Other Income

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Government Grant ^(a)	10,051	2,178	10,951	13,787
Finance lease income	101	(187)	358	404
Interest income ^(b)	22,850	10,226	73,837	46,889
	<u>33,002</u>	<u>12,217</u>	<u>85,146</u>	<u>61,080</u>

Notes:

- (a) Government grant received in recognition of the Group's technological improvement and environmental enhancement programmes in the PRC.
- (b) Interest earned on bank deposits, held to maturity financial assets, available-for-sale financial assets and entrusted loans to customers.

2 Other gains-net

	The Group			
	3rd Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value loss- financial assets at fair value through profit or loss	(515)	(617)	283	(617)
Currency translation (loss)/gain-net ^(a)	(15,305)	8,897	(21,988)	28,593
Sale of Production Capacity Transfer ^(c)	377,358	-	377,358	-
Gain/(loss) on disposal of property, plant and equipment	1,629	(14)	(7,200)	(12,820)
Other ^(b)	(14,142)	4,301	(8,451)	7,540
	<u>349,025</u>	<u>12,567</u>	<u>340,002</u>	<u>22,696</u>

Notes:

- (a) The currency translation loss was mainly due to the revaluation of intercompany balances denominated in USD, which weakened against RMB for the third quarter ended 30 September 2017 ("3Q2017").
- (b) Others comprised the sale of gas, oxygen, electricity, etc.
- (c) Please refer to the Company's announcements dated 18 January 2017, 22 August 2017 and 31 August 2017 for further details. The Company will announce the use of RMB400.0 million from the Production Capacity Transfer, as and when there are material utilization of the amount.

3. Profit/(loss) before taxation includes the following items:-

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortization ^(a)	90,861	85,058	254,141	327,035
Salaries and wages ^(b)	97,798	107,159	279,747	357,371
Operating lease rental	132	262	264	521

Notes:

- (a) The decrease in depreciation and amortization for the first nine months of 2017 (“9M2017”) was mainly due to certain assets being fully impaired or depreciated as well as the deconsolidation of depreciation charges of Delong (Thailand) Co., Ltd (“Delong Thailand”). Delong Thailand was divested in 4Q2016.
- (b) The decrease in staff costs in 3Q2017 and 9M2017 was mainly due to lower headcount with the disposal of Delong Thailand coupled with lower provision for staff bonus as compared to previous corresponding period.

4. Income Tax Expense

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Tax expense attributable to profit is made up of:				
Current income tax expense				
-Foreign	141,050	38,825	263,079	40,403
-Singapore	40	1,209	708	2,220
Deferred income tax	-	(1,008)	(360)	(1,080)
Under provision in preceding financial years				
-Current income tax	-	-	49	31
	<u>141,090</u>	<u>39,026</u>	<u>263,476</u>	<u>41,574</u>

The effective tax rate for 3Q2017 and 9M2017 was lower than the amount obtained by applying the People’s Republic of China (“PRC”) statutory rate of 25% on profit before tax mainly due to a subsidiary in the PRC being granted for High and New Technology Enterprise (“Hi-Tech”) qualification and is taxed at a concessionary tax rate of 15% for three years commencing 9 September 2014. The concessionary tax rate of 15% has since been extended to 9 September 2020.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Note	The Group RMB '000		The Company RMB '000	
		As at 30/09/2017	As at 31/12/2016	As at 30/09/2017	As at 31/12/2016
Current assets					
Cash and cash equivalents		1,412,388	966,932	1,916	7,585
Bank balances pledged		1,167,553	1,571,779	-	-
Held for Trading Investments	1	1,619,908	725,943	-	-
Held-to-maturity financial assets	2	231,050	371,050	-	-
Trade and other receivables	3	1,141,225	570,020	191,165	220,270
Inventories	4	978,111	552,518	-	-
Other assets	5	561,670	672,066	172	88
Total current assets		7,111,905	5,430,308	193,253	227,943
Non-current assets					
Available-for-sale financial assets	6	243,343	203,988	-	-
Investments in subsidiaries		-	-	2,010,492	1,984,916
Investment in an associate	7	3,601	4,001	-	-
Property, plant and equipment		2,416,516	2,229,273	25	63
Deferred tax assets		6,508	6,508	-	-
Intangible assets		-	1,440	-	-
Total non-current assets		2,669,968	2,445,210	2,010,517	1,984,979
Total assets		9,781,873	7,875,518	2,203,770	2,212,922
Current liabilities					
Trade and other payables	8	2,916,649	1,442,102	4,120	5,280
Notes payables		1,273,309	2,288,711	-	-
Borrowings		724,294	1,332,300	10	10
Income tax liabilities		159,882	39,879	-	-
Total current liabilities		5,074,134	5,102,992	4,130	5,290
Non-current liabilities					
Borrowings		348,454	204,906	24	32
Deferred income tax liabilities		22,889	23,249	-	-
Total non-current liabilities		371,343	228,155	24	32
Total liabilities		5,445,477	5,331,147	4,154	5,322
Net Assets		4,336,396	2,544,371	2,199,616	2,207,600
Capital reserves and non-controlling interests					
Share capital		406,644	406,644	2,112,480	2,112,480
Reserves		3,929,752	2,137,727	87,136	95,120
Equity attributable to owners of the Company		4,336,396	2,544,371	2,199,616	2,207,600
Non-controlling interests		-	-	-	-
Total equity		4,336,396	2,544,371	2,199,616	2,207,600

Notes:

1. This mainly relates to cash placed with the financial institutions for a tenor of 7 days. The interest rate on held for trading investments is approximately 3% per annum.

2. Held-to-maturity financial assets

	The Group	
	30/09/2017	31/12/2016
	RMB'000	RMB'000
Bohai International Trust Co., Ltd	200,000	200,000
Others	31,050	171,050
	<u>231,050</u>	<u>371,050</u>

The interest rate of the held-to-maturity financial asset ranges from 1.1% to 7.5% per annum and matures within 12 months.

3. Trade and other receivables - current

	The Group	
	30/09/2017	31/12/2016
	RMB'000	RMB'000
Finance lease receivables	-	1,256
Amount due from investee company	22,666	-
Trade receivables ⁽¹⁾	94,273	135,280
Notes receivable ⁽²⁾	1,024,286	433,484
	<u>1,141,225</u>	<u>570,020</u>

⁽¹⁾After taking into account of the allowance for doubtful debts for trade receivables which were overdue for over 360 days.

⁽²⁾The increase was in line with higher revenue recorded in 9M2017.

4. Inventories

	The Group	
	30/09/2017	31/12/2016
	RMB'000	RMB'000
Raw materials	722,862	368,290
Work-in-progress	92,060	133,192
Finished goods	86,458	45,200
Production supplies	76,731	5,836
	<u>978,111</u>	<u>552,518</u>

The increase in inventories was primarily due to higher raw materials prices in 9M2017.

5. Other assets

	The Group	
	30/09/2017 RMB'000	31/12/2016 RMB'000
Deposits for offices	65	65
Prepayments ^(a)	489,742	239,701
Entrusted loan to third parties	-	107,667
VAT and tax recoverable	11,170	52,318
Other receivables from Delong Thailand ^(b)	-	251,902
Others	60,693	20,413
	<u>561,670</u>	<u>672,066</u>

(a) Prepayments relate to advance payments made to suppliers for the purchase of raw materials.

(b) Other receivables comprised the sale consideration for the disposal of the Group's 55% shareholdings in Delong Thailand and the shareholder loan owed by Delong Thailand. The sale consideration and the shareholder loan were fully received on 3 February 2017.

6. Available-for-sale financial assets

	The Group	
	30/09/2017 RMB'000	31/12/2016 RMB'000
10% equity interest in Hebei Zhongmei Xuyang Coking Co., Ltd	10,000	10,000
1.6% equity interest in Hengshi Mining Investments Ltd	41,258	60,136
Shan Nan De Lian Heng Tong Investment	38,500	38,500
Qingdao Kutesmart Co., Ltd	60,000	60,000
CEG Ventures I, L.P	34,988	20,352
Shunwei Technology Equity Investment L.P	15,522	-
Others ⁽¹⁾	43,075	15,000
	<u>243,343</u>	<u>203,988</u>

Note:-

⁽¹⁾The interest rate of the available-for-sale financial assets ranges from 1.3% to 3.00% per annum.

7. This refers to the Company's 49% equity stake in Xingtai Xilan Zhongde Natural Gas Sales Co., Ltd.

8. Trade and other payables

	The Group	
	30/09/2017 RMB'000	31/12/2016 RMB'000
Trade payables to third parties	781,940	351,214
Letters of credit	779,963	146,253
VAT and other taxes payable	8	75,678
Payable to contractors for construction-in-progress	87,001	128,913
Advances from customers ⁽¹⁾	849,729	439,208
Other accrual for operating expenses	13,270	14,697
Accrual for interest expense	2,215	19,616
Accrual for staff cost	65,506	109,203
Due to directors (non-trade)	2,108	2,138
Deferred Income	-	17,848
Deferred government grant	72,611	44,507
Deposit from customers	-	819
Other payables	262,298	92,008
	<u>2,916,649</u>	<u>1,442,102</u>

Notes:

⁽¹⁾Advances from customers represent prepayments made by customers. These advance payments are to be offset against the purchases when the goods are collected by the customers.

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debts securities, specify the following as at the end of the financial period reported on with comparative figures as at the end of the immediately preceding financial year

Amount repayable in one year or less, or on demand

As at 30/09/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
384,010	340,284	691,010	641,290

Amount repayable after one year

As at 30/09/2017	As at 31/12/2016
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Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
249,024	99,430	95,940	108,966

Details of any collateral

The Group's borrowings are secured by certain property, plant and equipment and pledged bank balances.

As at 30 September 2017, the Group's bank borrowings of approximately RMB1,519.8 million (2016: RMB 1,028.0 million) were guaranteed by third parties. The Group has also provided guarantees to banks for borrowings of third parties amounting to approximately RMB336.4 million (2016: RMB 475.1 million).

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Note	The Group			
		3 rd Quarter Ended		9 Months Ended	
		30/09/2017	30/09/2016	30/09/2017	30/09/2016
		RMB '000	RMB '000	RMB '000	RMB '000
Cash flows from operating activities:					
Profit after income tax		973,934	231,322	1,742,570	611,186
Adjustments for:					
Depreciation		90,861	83,618	252,701	322,715
Amortisation of intangible asset		-	1,440	1,440	4,320
(Gain)/loss on disposal of property, plant and equipment		(1,629)	14	7,200	12,820
Fair value loss on financial assets, fair value through profit or loss		515	617	(283)	617
Share of loss of an associate company		121	97	400	250
Interest income		(22,850)	(10,226)	(73,837)	(46,889)
Interest expense		29,405	44,471	85,712	149,630
Income tax expense		141,090	39,026	263,476	41,574
Unrealised currency translation gain		(3,810)	(1,867)	(9,503)	(20,631)
		233,703	157,190	527,306	464,406
Operating cash flow before working capital changes		1,207,637	388,512	2,269,876	1,075,592
Bank balances pledged		(19,939)	71,918	404,226	(117,890)
Receivables		(491,703)	10,193	(460,809)	(33,224)
Inventories		(266,800)	(1,422)	(425,593)	(58,826)
Payables		500,672	175,975	1,474,547	171,626
		(277,770)	256,664	992,371	(38,314)
Cash generated from operating activities		929,867	645,176	3,262,247	1,037,278
Income tax paid		(43,801)	(39,386)	(143,833)	(42,654)
Net cash generated from operating activities		886,066	605,790	3,118,414	994,624
Cash flows from investing activities:					
Payments for property, plant and equipment		(224,133)	-	(369,305)	(87,607)
Proceeds from disposal of held to maturity financial assets		38,277	-	170,000	200,000
Purchase of held to maturity financial assets		(30,000)	-	(30,000)	-
Purchase of available-for-sale financial assets		(32,073)	(4,944)	(58,234)	(55,066)
Purchase of held-for-trading investments		(616,245)	(452,968)	(893,682)	(780,140)
Interest received		22,850	10,226	73,837	46,889
Net cash used in investing activities		(841,324)	(447,686)	(1,107,384)	(675,924)
Cash flows from financing activities:					
Proceeds from borrowings		180,952	561,521	1,447,528	2,202,548
Repayment of borrowings		(121,749)	(662,173)	(2,927,390)	(2,098,384)
Interest paid		(29,405)	(44,471)	(85,712)	(149,630)
Net cash generated from/(used in) financing activities		29,798	(145,123)	(1,565,574)	(45,466)
Net increase in cash and cash equivalents		74,540	12,981	445,456	273,234
Cash and cash equivalents at beginning of the period		1,337,848	745,117	966,932	484,864
Cash and cash equivalents at end of the period		1,412,388	758,098	1,412,388	758,098

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group	Share Capital RMB '000	Capital reserve RMB '000	Property revaluation reserve RMB '000	Fair value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000
Balance as at 1 January 2017	406,644	261,613	-	(304)	23,424	141,072	1,711,922	2,544,371
Total comprehensive (loss)/income for the period	-	-	-	(13,293)	(5,218)	-	387,789	369,278
Balance as at 31 March 2017	406,644	261,613	-	(13,597)	18,206	141,072	2,099,711	2,913,649
Total comprehensive (loss)/income for the period	-	-	-	(536)	(2,185)	-	380,847	378,126
Balance as at 30 June 2017	406,644	261,613	-	(14,133)	16,021	141,072	2,480,558	3,291,775
Total comprehensive (loss)/income for the period	-	-	77,837	(5,050)	(2,100)	-	973,934	1,044,621
Balance as at 30 September 2017	406,644	261,613	77,837	(19,183)	13,921	141,072	3,454,492	4,336,396

The Group	Share Capital RMB '000	Capital reserve RMB '000	Fair value reserve RMB '000	Translation reserve RMB '000	Statutory reserve RMB '000	Retained earnings RMB '000	Total RMB '000	Capital reserve RMB '000	Non-controlling interest RMB '000	Total equity RMB '000
Balance as at 1 January 2016	406,644	261,613	(23,098)	8,650	141,072	1,498,892	2,293,773	-	55,077	2,348,850
Total comprehensive (loss)/income for the period	-	-	(10,065)	(4,471)	-	95,710	81,174	-	(1,033)	80,141
Balance as at 31 March 2016	406,644	261,613	(33,163)	4,179	141,072	1,594,602	2,374,947	-	54,044	2,428,991
Total comprehensive income for the period	-	-	19,181	1,135	-	284,800	305,116	-	387	305,503
Balance as at 30 June 2016	406,644	261,613	(13,982)	5,314	141,072	1,879,402	2,680,063	-	54,431	2,734,494
Total comprehensive income for the period	-	-	12,544	3,873	-	229,290	245,707	-	2,032	247,739
Balance as at 30 September 2016	406,644	261,613	(1,438)	9,187	141,072	2,108,692	2,925,770	-	56,463	2,982,233

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2017	2,112,480	249,218	(154,098)	2,207,600
Total comprehensive loss for the period	-	-	(440)	(440)
Balance as at 31 March 2017	2,112,480	249,218	(154,538)	2,207,160
Total comprehensive loss for the period	-	-	(4,029)	(4,029)
Balance as at 30 June 2017	2,112,480	249,218	(158,567)	2,203,131
Total comprehensive loss for the period	-	-	(3,515)	(3,515)
Balance as at 30 September 2017	2,112,480	249,218	(162,082)	2,199,616

<u>The Company</u>	Share capital	Capital reserve	Retained earnings	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Balance as at 1 January 2016	2,112,480	249,218	(152,769)	2,208,929
Total comprehensive income for the period	-	-	4,703	4,703
Balance as at 31 March 2016	2,112,480	249,218	(148,066)	2,213,632
Total comprehensive income for the period	-	-	2,410	2,410
Balance as at 30 June 2016	2,112,480	249,218	(145,656)	2,216,042
Total comprehensive loss for the period	-	-	(3,072)	(3,072)
Balance as at 30 September 2016	2,112,480	249,218	(148,728)	2,212,970

1(d)(ii) Details of any changes in the Company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities , issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Changes in the Share Capital of the Company for 3rd Quarter Ended	30/09/2017	30/09/2016
Number of ordinary shares as at 1 July	110,182,709	110,182,709
Shares arising from conversion of convertible shares	-	-
Number of ordinary shares as at 30 September	110,182,709	110,182,709

There were no outstanding convertibles as at 30 September 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not Applicable

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been reviewed or audited by our auditor.

3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of matter)

Not Applicable

4. Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied

The Group has followed the same accounting policies and methods of computation in the financial statements for the current period with those adopted in the most recent audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed , as well as the reasons for, and the effect of, the change

Not Applicable

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividend**

	The Group			
	3 rd Quarter Ended		9 Months Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RMB'000	RMB'000	RMB'000	RMB'000
Net profit attributable to equity holders of the Company	973,934	229,290	1,742,570	609,800
Basic earnings per share (in RMB)	8.84	2.08	15.82	5.53
Diluted earnings per share (in RMB)	8.84	2.08	15.82	5.53

Explanatory Notes:

Basic earnings per share is calculated based on the weighted average number of shares in issue of 110,182,709 (post consolidation) for both periods.

There is no difference between the basis and diluted earnings per share.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	The Group		The Company	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
Net Asset Value per share (RMB)	39.36	23.09	19.96	20.04

Net asset value per share for the Group and Company is calculated based on 110,182,709 ordinary shares (post share consolidation) for both periods.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

(a) **Financial Review for the third quarter and nine-month ended 30 September 2017**

3Q2017 vs 3Q2016

Revenue

Group revenue increased by RMB1,132.8 million or 44.7% from RMB2,534.2 million in 3Q2016 to RMB3,667.0 million in 3Q2017. The increase in revenue was principally attributed to a significant increase

in average selling prices of hot rolled coil (“HRC”) coupled with an increase in sales volume of HRC driven by infrastructure and construction activities in the PRC as compared to the previous corresponding period.

The increase in sales volume was partially offset by the cessation of Aoyu Steel’s operations in August 2017. Please refer to the Company’s announcement dated 22 August 2017 for details.

In 3Q2017, the Group sold 1,063,750 tonnes of HRC and 32 tonnes of steel billets as compared to 1,017,115 tonnes of HRC and 80 tonnes of steel billets in 3Q2016. Overall sales quantity increased by 46,587 tonnes or 4.6%.

Cost of sales

Total cost of sales increased by RMB634.2 million or 29.4%, from RMB2,153.9 million in 3Q2016 to RMB2,788.1 million in 3Q2017. The increase was primarily due to higher raw material prices for steel production coupled with higher sales volume as mentioned above as compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB498.7 million or 131.1%, from RMB380.2 million in 3Q2016 to RMB878.9 million in 3Q2017.

Gross profit margin increased by 9.0 percentage points from 15.0% in 3Q2016 to 24.0% in 3Q2017. The increase was primarily due to the significant increase in average selling prices of products sold which outpaced the increase in raw materials prices in 3Q2017.

Distribution and marketing expenses

Distribution and marketing expenses decreased by RMB0.9 million, from RMB21.6 million in 3Q2016, to RMB20.7 million in 3Q2017. The decrease was mainly to lower transportation costs associated with the delivery of Aoyu Steel’s HRC products to customers in the PRC, amid the cessation of Aoyu Steel’s operations in August 2017.

Administrative expenses

Administrative expenses increased by RMB27.2 million, from RMB68.5 million in 3Q2016 to RMB95.7 million in 3Q2017, primarily due to partial workers’ compensation payment following the cessation of Aoyu Steel’s operations in August 2017 as well as legal and professional fees incurred on the Company’s on-going projects as compared to the previous corresponding period.

Finance expenses

Finance expenses decreased by RMB15.1 million from RMB44.5 million in 3Q2016 to RMB29.4 million in 3Q2017, primarily due to the significant decrease in bank borrowings and notes payables, which in turn reduced interest expenses in 3Q2017.

Net profit

As a result of higher operating profit, the Group reported a net profit of RMB973.9 million in 3Q2017, compared to RMB229.3 million in 3Q2016. The net profit margin was 26.6% and 9.1% in 3Q2017 and 3Q2016, respectively.

9M2017 vs 9M2016

Revenue

Group revenue increased by RMB2,688.9 million or 37.5%, from RMB7,163.9 million in 9M2016, to RMB9,852.8 million in 9M2017. The increase in revenue was principally attributed to a significant increase in average selling prices of HRC sold coupled with an increase in sales volume of HRC amid tighter supplies following production cuts and increased infrastructure and construction activities in the PRC.

In 9M2017, the Group sold 3,103,623 tonnes of HRC and 98 tonnes of steel billets as compared to 3,053,708 tonnes of HRC and 426 tonnes of steel billets in 9M2016. Overall sales quantity increased by 49,587 tonnes or 1.6%.

Cost of sales

Total cost of sales increased by RMB1,702.3 million or 27.6%, from RMB6,168.1 million in 9M2016 to RMB7,870.4 million in 9M2017. The increase was primarily due to higher raw materials prices for production amid rising iron ore demand from mills coupled with higher sales volume in 9M2017 as compared to the previous corresponding period.

Gross profit

Gross profit increased by RMB986.6 million or 99.1%, from RMB995.8 million in 9M2016, to RMB1,982.4 million in 9M2017.

Gross profit margin increased by 6.2 percentage points, from 13.9% in 9M2016 to 20.1% in 9M2017. The increase was primarily due to the increase in average selling prices of products sold which outpaced the increase in raw materials prices in 9M2017 coupled with production efficiency amid continued improvement to the production facilities.

Distribution and marketing expenses

Distribution and marketing expenses increased by RMB23.9 million, from RMB57.1 million in 9M2016, to RMB81.0 million in 9M2017. The increase in distribution and marketing expenses was primarily due to higher transportation costs associated with the delivery of HRC products to customers in the PRC as compared to the previous corresponding period.

Administrative expenses

Administrative expenses increased by RMB14.6 million, from RMB219.8 million in 9M2016, to RMB234.4 million in 9M2017, primarily due to partial workers' compensation payment following the cessation of Aoyu Steel's operations in August 2017.

Finance expenses

Finance expenses decreased by RMB63.9 million, from RMB149.6 million in 9M2016, to RMB85.7 million in 9M2017, mainly due to reduction in notes payables which in turn reduced interest expenses in 9M2017 compared to the previous corresponding period.

Net profit

As a result of higher operating profit and after taking into account taxation and non-controlling interest, the Group reported a net profit of RMB1,742.6 million in 9M2017, compared to a net profit of RMB609.8 million in 9M2016. The net profit margin was 17.7% and 8.5% in 9M2017 and 9M2016, respectively.

(b) Review of balance sheet of the Group as at 30 September 2017

Current assets

Current assets increased by RMB1,681.6 million, from RMB5,430.3 million as at 31 December 2016 to RMB7,111.9 million as at 30 September 2017, primarily due to the increase in held for trading investments, higher inventories as well as higher notes receivable which was in line with higher revenue in 9M2017.

Current liabilities

Current liabilities decreased by RMB28.9 million, from RMB5,103.0 million as at 31 December 2016 to RMB5,074.1 million as at 30 September 2017, primarily due to repayments of bank borrowings and notes payables during the period under review. The decrease was partially offset by the increase in the utilization of letter of credit (classified under trade and other payables) for payments to creditors and suppliers.

The higher utilization of letter of credit was due to the lower security requirement as compared to notes payables.

Working capital

The working capital position improved by RMB1,710.5 million, from RMB327.3 million as at 31 December 2016, to RMB2,037.8 million as at 30 September 2017.

The Group has satisfactorily maintained its credit facilities with financial institutions in PRC during the period under review and the credit facilities have constantly been renewed and/or rolled-over by these financial institutions.

Non-current assets – Property, plant and equipment

Property, plant and equipment increased by RMB187.2 million, from RMB2,229.3 million as at 31 December 2016 to RMB2,416.5 million as at 30 September 2017, primarily due to the capital expenditure incurred for on-going technological and environmental enhancement programmes to the production facilities in the PRC. The increase was partially offset by depreciation charges for the period under review.

Non-Current liabilities

Non-current liabilities increased by RMB143.1 million, from RMB228.2 million as at 31 December 2016 to RMB371.3 million as at 30 September 2017, primarily due to the drawdown of long term bank borrowings for working capital purposes during the period under review.

(c) Review of cash flow statement of the Group

3Q2017 vs 3Q2016

Net Cash Generated From Operating Activities

Operating cashflow before working capital changes increased by RMB819.1 million, from RMB388.5 million in 3Q2016 to RMB1,207.6 million in 3Q2017, primarily due to the increase in operating profit. Cash from operating activities increased by RMB284.7 million from RMB645.2 million in 3Q2016 to RMB929.9 million in 3Q2017, attributable mainly to the increase in the issuance of letters of credit in place of notes payables for the period under review. The increase was partially offset by the increase in inventories and notes receivables.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB841.3 million in 3Q2017. This comprised principally the progress payments for the on-going technical enhancements to the upgrade production facilities in the PRC and payments for the purchase of held for trading investments and available-for-sale financial assets.

The decrease was partially offset by interest received from the financial institutions.

Net Cash Generated from Financing Activities

Net cash generated from financing activities was RMB29.8 million in 3Q2017. This was mainly attributable to the drawdown of bank borrowing of RMB181.0 million for working capital purposes, loan principal and interest repayments of RMB151.2 million.

9M2017 vs 9M2016

Net Cash Used In Operating Activities

Operating cashflow before working capital changes increased by RMB1,194.3 million, from RMB1,075.6 million in 9M2016 to RMB2,269.9 million in 9M2017, primarily due to the increase in operating profit. Net

cash from operating activities increased by RMB2,123.8 million from RMB994.6 million in 9M2016, to RMB3,118.4 million in 9M2017, attributable mainly to the increase in trade and other payables including letters of credit during the period under review and a decrease in bank balances pledged as security to banks for the issuance of notes payable.

The increase was partially offset by the increase in inventories and notes receivables.

Net Cash Used in Investing Activities

Net cash used in investing activities was RMB1,107.4 million in 9M2017. This comprised principally the progress payments for the technical enhancements to the upgrade production facilities in the PRC and payments for the purchases of available-for-sale financial assets and held for trading investments.

The decrease was partially offset by the proceeds from the disposal of held-to-maturity financial assets and interest received from the banks.

Net Cash Used in Financing Activities

Net cash generated from financing activities was RMB1,565.6 million in 9M2017. This was mainly attributable to the drawdown of bank borrowings of RMB1,447.5 million, loan principal and interest repayments of RMB3,013.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Company had issued a profit guidance on 23 October 2017 that the Company would report a significant rise in net profit for the three months ended 30 September 2017 as compared to the same period last year.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period for the next 12 months

The PRC steel industry delivered a positive third quarter, buoyed by steel demand arising from China's continued infrastructure push. According to the China Iron and Steel Association, consumption for steel products is expected to grow 3 – 4% year-on-year in 2017, with production output forecast to rise to 840 million tonnes in 2017, from 808 million tonnes a year ago. Nevertheless, the operating outlook for the PRC steel industry is expected to remain challenging as steel prices remained highly volatile and unpredictable amid ongoing efforts by the PRC authorities to reduce excess capacity in the steelmaking industry.

Industrial pollution also remains a primary concern in the PRC and the ongoing haze issue is also expected to have impacts on the steel industry in terms of production and steel transportation. Such initiatives include tightening of its environmental protection rules as it fights smog, such as requiring steel producers to reduce output by at least half during the peak pollution season over the winter months and/or smoggy days, among other initiatives. To be in line with the industry's rising environmental standards, the Group, continually invests in technological upgrades and enhancements to reduce emission, improve energy efficiency and recycling of waste material. Such technological enhancements, undertaken from time to time, also strengthens the production efficiency of the Group's facility, thereby reducing operating costs.

On the operational front, the Group had on 22 August 2017 announced the immediate cessation of operations at its subsidiary, Laiyuan County Aoyu Steel Co., Ltd. ("Aoyu Steel"). The cessation is in relation to announced plans by the PRC Government cut steelmaking capacity in Hebei Province, targeting cities such as Langfang, Baoding and Zhangjiakou. Aoyu Steel is located in Baoding, one of the affected cities under the Capacity Reduction Plans.

To diversify, the Group will continue to selectively engage in opportunities to invest in quoted and/or unquoted securities, as well as the provision of seed and mezzanine capital to private companies with growth potential and undertaking business incubation. The Board and Management will also continue to explore and evaluate earnings-accretive acquisitions and/or investments in our core business for the long-term benefit of shareholders. The Group will also diversify into asset management business in due course, subject to obtaining the type 9 Licence by the Securities and Futures Commission of Hong Kong.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable and Book Closure Date

N.A.

12. If no dividend has been declared/recommended, a statement to that effect

The Board of Directors of the Company does not recommend that a dividend be paid for the third quarter 30 September 2017.

PART II-ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2,Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

N.A

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

N.A

15. A breakdown of Sales

N.A

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

N.A

17. Interested person transactions

There were no interested person transactions for the nine-month ended 30 September 2017.

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the form set out in Appendix 7.7) under Rule 720(1).

Undertakings under Rule 720(1) Appendix 7.7 have been obtained from all directors and executive officers.

BY ORDER OF THE BOARD

Ding Liguo
Executive Chairman